

Livingston County, Michigan

**Federal Awards
Supplemental Information
December 31, 2003**

Livingston County, Michigan

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Commissioners
Livingston County, Michigan

We have audited the basic financial statements of Livingston County, Michigan for the year ended December 31, 2003 and have issued our report thereon dated May 6, 2004. Those basic financial statements are the responsibility of the management of Livingston County, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Livingston County, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

May 6, 2004

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Report Letter on Compliance with Laws and Regulations and
Internal Control - Basic Financial Statements

To the Board of Commissioners
Livingston County, Michigan

We have audited the financial statements of Livingston County, Michigan as of and for the year ended December 31, 2003 and have issued our report thereon dated May 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Livingston County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Livingston County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Commissioners
Livingston County, Michigan

This report is intended solely for the information and use of the Audit Committee, Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 6, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Board of Commissioners
Livingston County, Michigan

Compliance

We have audited the compliance of Livingston County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The major federal programs of Livingston County, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Livingston County, Michigan's management. Our responsibility is to express an opinion on Livingston County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Livingston County, Michigan's compliance with those requirements.

In our opinion, Livingston County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

To the Board of Commissioners
Livingston County, Michigan

Internal Control Over Compliance

The management of Livingston County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Livingston County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 22, 2004

Livingston County, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Agriculture - Passed through the State of Michigan		
Department of Health:		
Special Supplemental Food Program for Women, Infants, and Children	10.557	\$ 154,548
Food Stamps Program Operations	10.561	<u>4,959</u>
Total U.S. Department of Agriculture		159,507
U.S. Department of Health and Human Services - Passed through the State of Michigan - Family Independence Agency:		
Disease Control and Prevention	93.283	271,633
Family Planning Services	93.217	158,198
Immunization Grants	93.268	159,740
Child Support Enforcement - Friend of the Court	93.563	774,123
Child Support Enforcement Incentive Payments - Friend of the Court	93.558	38,678
Access and Visitation Grant	93.597	24,651
Child Support Enforcement - Prosecuting Attorney	93.563	147,452
CSHC Care Coordination	93.778	46,560
Maternal and Child Health Services	93.994	<u>102,260</u>
Total U.S. Department of Health and Human Services		1,723,295
U.S. Department of Justice:		
Passed through the Michigan Office of Community Oriented Policing Services:		
COPS in School Award - 99	16.579	20,066
COPS in School Award - 01	16.579	37,963
LAWNET 10/01/02 - 9/30/03	16.579	34,713
LAWNET 10/01/03 - 9/30/04	16.579	35,754
2002 State Domestic Preparedness grant	16.007	101,222
2003 State Domestic Preparedness grant	16.007	<u>84,643</u>
Total Michigan Office of Community Oriented Policing Services		314,361
Passed through the Michigan Department of Community Health - Office of Drug Control Policy - JAIBG	16.523	<u>12,582</u>
Total U.S. Department of Justice		326,943

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Labor:		
Passed through the Michigan Department of Career Development:		
Workforce Investment Act - National Emergency Grant	17.260	\$ 52,925
Welfare to Work	17.253	12,110
Wagner-Peyser - Trade Adjustment Assistance	17.245	115,966
Wagner-Peyser Act ES 7A - 6/30/03 program	17.207	90,712
Wagner-Peyser Act ES 7A - 6/30/04 program	17.207	144,327
Reed Act - Work First	17.unknown	139,440
Reed Act - Assessability	17.unknown	10,405
Reed Act - Service Center	17.unknown	60,148
Work First (TANF) - 09/30/03 program	93.558	81,007
Work First (TANF) - 09/30/04 program	93.558	19,218
TANF - TTW	93.558	405
Total passed through the Michigan Department of Career Development		726,663
Workforce Investment Act:		
Re-employment Service Initiative	17.207	22,123
Work Incentive	17.207	7,234
Incentive Program	17.267	8,674
Adult	17.258	52,658
Youth	17.259	95,103
Dislocated Worker	17.260	204,836
Total Workforce Investment Act		390,628
Total U.S. Department of Labor		1,117,291
U.S. Department of Transportation - Passed through the State Department of Transportation and administered by the State of Michigan:		
Capital Assistance Section 5309	20.500	209,120
Federal Section 5311 Operating Assistance	20.507	13,853
Total U.S. Department of Transportation		222,973
U.S. Department of Housing and Urban Development -		
Passed through the Michigan Jobs Commission:		
Michigan Community Development Block Grant Program	14.228	33,605
LinkMichigan Community Development Block Grant	14.228	26,778
Total U.S. Department of Housing and Urban Development		60,383

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Federal Emergency Management Agency - Passed through the Michigan Department of State Police:		
Hazard Mitigation Grant	83.548	\$ 267,311
Emergency Management Performance Grant	83.552	37,287
Supplemental Funds Grant	83.562	<u>12,880</u>
Total U.S. Federal Emergency Management Agency		<u>317,478</u>
Total federal awards		<u>\$3,927,870</u>

Livingston County, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,929,566
Less state sources included in revenue from federal and state sources	(533,678)
Add net effect of revenue received in current year related to prior year expenditures and revenue not available to finance expenditures of the current period	<u>531,982</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 3,927,870</u>

Livingston County, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Livingston County, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2003

Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.563	Child Support Enforcement - Friend of the Court
93.563	Child Support Enforcement - Prosecuting Attorney
93.558	Child Support Enforcement Incentive Payments - Friend of the Court
93.558	Work First (TANF)
17.207	Wagner-Peyser Act ES 7A
17.207	Re-employment Service Initiative
17.207	Work Incentive
17.unknown	Reed Act - Work First
17.unknown	Reed Act - Assessability
17.unknown	Reed Act - Service Center
20.500	Capital Assistance Section 5309
83.548	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Master Document Basic Letters

FIELD	VALUES
ClientName	Livingston County, Michigan
TheClientName	Livingston County, Michigan
NamePlural	Livingston County, Michigan's
Salutation	Board of Commissioners
Year End	December 31, 2003
GPFSBasicReportDate	May 6, 2004
ComplianceAuditReportDate	Month XX, XXXX
ManagementLetterDate	May 6, 2004
DepartureFromFsUnqualified	Insert]
BasicGeneralPurpose	basic
Entities	the Audit Committee, Board of Commissioners, management, federal awarding agencies, and pass-through entities

Master Document Findings

FIELD	VALUES
FSNoncomplianceFindings	FindingI
FSReportableConditionFindings	FindingJ
FSMaterialWeaknessFindings	FindingK
MajorFANoncomplianceFindings	FindingL
MajorFAReportableConditionFindings	FindingM
MajorFAMaterialWeaknessFindings	FindingN

****Auditor Notes****

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- (1) Proforma includes two versions: one for school districts and one for all other industries. Select appropriate schedule for your client.
- (2) Delete if not applicable.
- (3) Proforma includes two versions. Select version appropriate for your school district.
- (4) This letter is required when an SAS 6I letter has not been issued. **Error! Reference source not found.**

Independent Auditor's Report Letter

- (5) Use report InsertJ in the Master Document Findings to describe any departure from the standard unqualified opinion on the general purpose/basic financial statements/basic financial statements. After completing InsertJ, go to the report letter and click the DFFSU button on the AI33 Basic Letters toolbar.
- (6) The third paragraph should be amended to include any additional schedules included in the single audit package. For school district audits, add reference to the following, if applicable:
 - Schedule of Expenditures of Federal Awards provided to subrecipients
 - Reconciliation of Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards.

Report Letter on Basic/GP Statements

- (7) Use report InsertJ in the Master Document Findings to describe any departure from the standard unqualified opinion on the general purpose/basic financial statements/basic financial statements. After completing InsertJ, go to the report letter and click the DFFSU button on the AI33 Basic Letters toolbar.
- (8) If instances of noncompliance are included on the Schedule of Findings and Questioned Costs, go to the letter and replace the last sentence with the following by clicking the Insert8 button on the toolbar:

The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items FindingI. We also noted certain immaterial instances of noncompliance that we have reported to the management of Livingston County, Michigan in a separate letter dated May 6, 2004.

- (9) If #8 is applicable, skip #9's note. Otherwise, insert the following sentence, if applicable by going to the letter and clicking the Insert9 button on the toolbar:
However, we noted certain immaterial instances of noncompliance that we have reported to the management of Livingston County, Michigan in a separate letter dated May 6, 2004.

(10) If there are reportable conditions, go to the letter, highlight the remainder of this paragraph and replace it by clicking the Insert I0 button on the toolbar:

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Livingston County, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FindingJ.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

(11) The last sentence should be replaced with the following if the reportable conditions noted are deemed to be material weaknesses. To do this, go to the sentence in the paragraph above (**not** to the paragraph in the letter), highlight the last sentence, being careful not to delete the right bracket at the end of the sentence and click Insert I1 on the toolbar. You will need to Print preview in order to update the letter in the document.

However, of the reportable conditions described above, we consider items FindingK to be material weaknesses.

(12) If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting **that are not reportable conditions**, go to the letter and insert the following as a separate paragraph by clicking the Insert I2 button on the toolbar:

We noted other matters involving the internal control over financial reporting that we have reported to the management of Livingston County, Michigan in a separate letter dated May 6, 2004.

Report Letter on Major Federal Awards

(13) When there are instances of noncompliance identified in the schedule of findings and questioned costs, go to the letter and insert the following by clicking the "Insert I3 button on the toolbar": .

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FindingL

(14) When opinion is qualified for noncompliance conditions identified, go to the letter, highlight the existing paragraph, delete it, then insert the following by clicking the Insert I4 button on the toolbar .

As described in item [REDACTED] in the accompanying schedule of findings and questioned costs, Livingston County, Michigan did not comply with requirements regarding _____ that are applicable to the _____. Compliance with such requirements is necessary, in our opinion, for Livingston County, Michigan to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Livingston County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings and questioned costs as items FindingL.

(15) If there are reportable conditions, go to the letter, highlight the existing paragraph, delete it and then insert the following by clicking on the Insert I5 button on the tool bar.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Livingston County, Michigan's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FindingM.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. (16)

(16) This sentence should be replaced with the following if any reportable conditions are considered to be material weaknesses. To do this, go to the sentence in the paragraph above (**not** to the paragraph in the letter), highlight the sentence, being careful not to delete the right bracket at the end of the sentence and click Insert I6 on the toolbar. You will need to Print preview in order to update the letter in the document.

However, of the reportable conditions described above, we consider items FindingN to be material weaknesses.

Schedule of Findings and Questioned Costs

(17) For the financial statements, reportable noncompliance represents material noncompliance to the financial statements. For major programs, reportable noncompliance represents audit findings required to be disclosed under Section 510(a) of OMB Circular A-133.

(18) List material findings and reportable conditions identified that relate to the general/basic purpose financial statements in accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, a complete finding (internal control or compliance) should include criteria, condition, questioned costs (if any), effect, cause, recommendation and auditee response. While these elements must be disclosed, a formal format is not required. The finding type (reportable condition, material weakness, material noncompliance, other noncompliance) should be noted as a heading or introduction to the findings. See example.

Findings impacting financial statements and federal programs should be stated in Sections II and III, but can be summarized in one of the Sections.

(19) Where practical, organize findings by federal or pass-through agency.

Federal program audit findings include:

- Reportable conditions over major programs
- Material weaknesses over major programs
- Material noncompliance related to a major program
- Questioned costs greater than \$10,000
- Major programs – known or likely questioned costs
- Non-major programs – known questioned costs
- Federal award fraud (major or nonmajor)
- Circumstances creating an unqualified opinion on federal internal control and compliance (if not already stated in a finding)
- Client misrepresentation on the summary schedule of prior audit findings.

Findings impacting more than one factor (i.e, internal control and compliance) should be presented as one finding.

If other compliance related testing will be performed, it should also be noted (e.g., in addition, we will be required to perform certain compliance tests related to the Michigan Jobs Commission Economic Development and Job Training Grants).